FISCAL NOTE

Bill #: HB0158 **Title:** Revise and clarify income tax withholding

Primary Sponsor: Mckenney, J **Status:** As Introduced - Revised

Sponsor signature Date David Ewer, Budget Director Date

Fiscal Summary

	FY 2005 Difference	FY 2006 Difference	FY 2007 Difference
Expenditures:			
General Fund			
State Special Revenue			
Federal Special Revenue			
Other			
Revenue:			
General Fund	($4,750,000)	$0	$0
State Special Revenue			
Federal Special Revenue			
Other			
Net Impact on General Fund Balance:	($4,750,000)	$0	$0

- [ ] Significant Local Gov. Impact
- [ ] Included in the Executive Budget
- [ ] Dedicated Revenue Form Attached
- [ ] Technical Concerns
- [ ] Significant Long-Term Impacts
- [ ] Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. This bill changes the schedules by which employers are to remit taxes withheld from their employees. Currently, an employer whose total liability for state income tax withholding during the preceding lookback period was less than $1,200 is required to remit on a “quarterly schedule”; this bill will allow, but not require, these employers to remit on an “annual schedule”.
2. The bill applies retroactively to wages paid after December 31, 2004.
3. Employers who switch from quarterly to annual reporting would delay their withholding payments. This would not change the amount of withholding, but would move half of the payments currently received from quarterly reporters each fiscal year to the next fiscal year. This delay would have a one-time effect on withholding payments in FY 2005 but would not change total withholding payments in following fiscal years.

4. Employer withholding associated with employers who could possibly shift from a quarterly schedule to an annual schedule is about $2.375 million each quarter. If every employer currently filing on a quarterly basis shifted to annual filing beginning January 1, 2005, then revenues to the state general fund would be reduced by an estimated $4.75 million in FY 2005. Again, these employers are not *required* to shift to an annual withholding schedule and the department anticipates that many may not. To the extent that some employers do not shift to an annual schedule, the reduction in general fund revenues in FY 2005 will be less than the $4.75 million impact discussed above.
5. There is no change in the total amount of withholding received during the 2007 biennium.
6. This bill has no impact on average balances in the Treasury Cash Account; hence, there is no impact on interest income to the state (OBPP).
7. There are no administrative cost impacts associated with this bill.

FISCAL IMPACT:

	FY 2005 Difference	FY 2006 Difference	FY 2007 Difference
Revenues:			
General Fund (01)	($4,750,000)	$0	$0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
None

LONG-RANGE IMPACTS:
None